



## DEPARTMENT OF COMMERCE AND INSURANCE

### TENNESSEE STATE BOARD OF ACCOUNTANCY

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[www.state.tn.us/commerce/boards/tnsba](http://www.state.tn.us/commerce/boards/tnsba)

(License Number # \_\_\_\_\_) (License Status \_\_\_\_\_)  
(Name) (Address)

September 3, 2003

Dear **Active**, **Inactive** or **Retired** CPA or PA Licensee:

The purpose of this letter is to remind licensees of the requirements of Tennessee State Law as it applies to CPAs and PAs.

Licensees whose certificate number ends in an odd number will be mailed renewal forms on or about October 31, 2003. It is important that you have informed the Board of any address changes before September 30, 2003. If you do not receive a renewal form by November 30, contact the Board to obtain the form. You are required to renew your odd numbered license even if you do not receive a form in the mail. Your license is odd numbered if the last digit of your certificate number is 1, 3, 5, 7, or 9. Even numbered licensees **do not** renew this year. The completed form and fee are due back to the Board by December 31, 2003. There are two separate forms to complete this year. One is the invoice for your license and the other is a questionnaire and a CPE report for the Board.

In order to renew, all licensees are required to pay the renewal fee and all **Active** licensees are required to complete 80 hours of CPE in the preceding two years. Forty of the 80 hours must be in technical CPE subject areas - accounting, auditing, tax, and/or MAS/financial advisory courses. Carryover CPE does not count toward the current technical requirement. A minimum of 20 hours of CPE (carryover CPE does not count toward the minimum requirement) must be completed each year. Each licensee will be allowed to carryover up to 40 hours maximum from the prior renewal cycle through 2005. Like most other states, Tennessee will not allow carryover CPE after December 31, 2005. If you are engaged in performing any attest services, including compilations or issuing reports on financial statements, 20 of the 80 CPE hours must be in the subject areas of accounting or auditing. If you testify as an expert witness, 20 of the CPE hours must be in the general area of your testimony, such as tax.

CPE must be taken from NASBA (National Association of State Boards of Accountancy) approved CPE sponsors or those exempt from registering as CPE sponsors. Exempt sponsors are accounting organizations and associations (such as TSCPA), colleges or universities, governmental entities, and employers offering courses in-house for their employees, whether a CPA firm or other type of entity. This does not include courses your employer sends you out to take, as these courses must be taken from NASBA approved sponsors. If you take self-study CPE courses, the sponsors, including your employer, must be approved by NASBA as a QAS (Quality Assurance Service) sponsor. The TSCPA and the AICPA are exempt from the NASBA QAS Registry as self-study sponsors. Self-study CPE is not limited in Tennessee. It can be up to 100% of the required CPE hours as long as it is taken from an approved QAS provider.

All **Active** licensees have the right to practice public accounting as long as they do so in a registered CPA firm. **Inactive and Retired licensees cannot practice public accounting.** If you call your business a CPA firm or if you practice as a sole proprietor, you **must register** as a CPA firm, in addition to renewing your individual CPA or PA license. If you issue any type of attest report on a financial statement, including a compilation, you can only do that in a registered CPA firm, and you are subject to Peer Review requirements, unless the financials are issued as a SSARS # 8 engagement.

**Active** licensees are also required to pay the Tennessee Professional Privilege Tax of \$400 per year. That tax is collected by the Department of Revenue each year and the Board has no control or input into the administration of that law or tax. In order to avoid that tax, you must remain inactive throughout the Professional Privilege Tax year. In order to elect to be inactive, you must actually be inactive or retired from any practice of public accounting whether part time or full time, and have your status changed with the Board. You must also inform the Department of Revenue of your status change to inactive or retired and

send them documented proof of that change in status. If you are employed in public accounting or by a public accounting firm, you cannot have an inactive or retired license.

The Accountancy Act of 1998 eliminated the CPE requirement for **Inactive** or **Retired** CPA or PA licensees, as long as they notify the Board on their biennial renewal report or they file an affidavit with the Board to elect inactive or retired status of the license. **Inactive** or **Retired** CPAs or PAs must place the word "**Inactive**" or "**Retired**" adjacent to the CPA or PA credential anytime it is used. **Inactive** and **Retired** CPAs and PAs give up the right to practice public accounting in exchange for the CPE exemption. Inactive and retired licensees **are prohibited from practicing public accounting**, which includes tax preparation and consulting, among other activities.

If you choose to **reinstate your license from Inactive or Retired to Active status**, you may do so by reporting 80 CPE hours earned in the 24 months prior to requesting **active** status. Once retirees reach the age of 70, they may request to be exempt from paying the biennial renewal fee, if no longer performing public accounting services, including tax preparation. If you reside in Tennessee and perform accounting services for the public and use your CPA or PA credential you must have an **Active** certificate. If you do not place **Inactive** or **Retired** adjacent to your CPA or PA credential you must have an **Active** certificate, complete the CPE and pay the Privilege Tax.

All licensees are required to notify the Board within 30 days of a change of address. Failure to notify the Board office directly, not the post office, when you or your firm changes an address will result in a \$25.00 civil penalty. The law mandates that every licensee must notify the Board office in writing of any change such as this within 30 days. Failure to do so could cause your certificate to expire accidentally. If this occurs, you are no longer a Tennessee CPA or PA. You must sign the change of address notice. If the firm changes its address, this change must also be sent to the Board as an additional request and be signed by the firm's responsible resident manager. Forms are on the Board's web site to make these changes.

If you or your firm performs attest services for a client, including compilations, you cannot collect commissions, referral or contingent fees from that client or for those services. The Accountancy Act and the rules accompanying them codify ethical practices for Tennessee licensees. When these rules are silent on any manner of ethical conduct the AICPA Code of Conduct takes precedence. Please be aware that CPAs are held to a high standard of integrity.

If you fail to pay and file the renewal form by December 31, 2003, you will owe a \$100 penalty for late renewal. If you have not paid and filed the renewal by March 31, 2004, you will owe an additional \$100 penalty. If your renewal and the fees, including the penalties mentioned above, are not received by December 31, 2004, your license will expire or lapse and you will no longer be a Tennessee CPA/PA licensee

Any individual who allows their license to lapse or expire must pay all unpaid back licensing fees in order to reinstate their license. This consists of a \$200 reapplication fee, a \$50 civil penalty/fine, and an additional 80 hours of technical CPE taken within the six months prior to filing the reinstatement application. You may also be required to file a new application and sit for the CPA Exam. It is your responsibility to keep your license current at all times. Please do not let your license expire.

Annually, about 100 complaints are filed with the Board. Approximately 60% of these are against licensees. If a complaint is filed against you or your firm a response is required by the Board to that complaint within 14 days. Most complaints are completed in an average of 6 months. If found guilty, of a violation of the Accountancy Act, licensees can be warned, penalized up to \$1,000 per day per offense, or have a license suspended, placed on probation or revoked. More than half of the complaints result in these actions.

Beginning in April 2004, the CPA Exam will become computerized. It will be offered four times per year and can be taken one part at a time. For more information including a tutorial go to [www.cpa-exam.org](http://www.cpa-exam.org)

Out of state licensees, not residing in Tennessee, can now file a **notification** with the Board to practice public accounting in Tennessee. This notification form is available on the Board's web site. Out of state firms performing attest services in Tennessee must still have a firm permit and one licensee registered with the Board in order to practice in Tennessee.

Look at our web site for news you can use, articles of interest, roster information, copies of our law and rules, and forms you may need. Our web site is [www.state.tn.us/commerce/boards/tnsba](http://www.state.tn.us/commerce/boards/tnsba).

For the Board,

Daniel F. Syriac,  
Administrative Manager